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October 23, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

Wendy L. Watanabe
by
Schneiderman

SUBJECT: **ST. MARY MEDICAL CENTER CONTRACT REVIEW – A
DEPARTMENT OF PUBLIC HEALTH HIV/AIDS CARE AND
PREVENTION SERVICES PROVIDER**

We completed a fiscal review of St. Mary Medical Center (St. Mary or Agency), which covered a sample of transactions from March 2010 through February 2012. The County Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) contracts with St. Mary, a non-profit organization, to provide HIV/AIDS outpatient, mental health psychotherapy, psychosocial/family case management, peer support, treatment education, and home-based case management services.

Our review was intended to determine whether St. Mary provided services to eligible participants, and spent DHSP funds in accordance with the County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with the contract and other applicable guidelines.

At the time of our review, St. Mary had three contracts with DHSP. DHSP paid St. Mary approximately \$4.2 million from March 2010 to February 2012 under a combination of cost reimbursement and fee-for-service contracts. St. Mary provides services, and is headquartered, in the Fourth Supervisorial District.

Results of Review

St. Mary provided services to individuals who met the DHSP eligibility requirements. However, St. Mary charged the DHSP Program \$102,685 in questioned costs. Specifically:

- St. Mary's accounting records did not support \$100,971 in expenditures reported in the Agency's Cost Reports for the periods ending in February 2011 and June 2011.

St. Mary's attached response indicates they agree to repay DHSP \$100,971, or provide documentation to DHSP to support the expenditures by the end of October 2012.

- St. Mary inappropriately charged \$1,531 to the DHSP Program for a computer that was assigned to an employee who worked on non-County programs. In addition, St. Mary charged DHSP \$183 more than they paid for a computer assigned to an employee who worked on the DHSP Program.

St. Mary's response indicates they will repay DHSP \$1,714 (\$1,531 + \$183).

In addition, St. Mary did not always comply with all the County contract requirements. Specifically, St. Mary did not:

- Document justification for waiving fees from clients, or collect fees from clients who had ability to pay.

St. Mary's response indicates that they will ensure that appropriate documentation is included in patient files to support waiving the fees from qualified clients.

- Resolve bank statement reconciling items, totaling \$2,130, in a timely manner.

St. Mary's response indicates that they will ensure that outstanding reconciling items are resolved in a timely manner. In addition, St. Mary indicated that they will validate the \$2,130 in reconciling items by October 2012, and repay DHSP for any expenditures not paid.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with St. Mary and DHSP. In their attached response, St. Mary concurred with our findings and recommendations.

We thank St. Mary for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health
Thomas A. Salerno, President/CEO, St. Mary Medical Center
Public Information Office
Audit Committee

**ST. MARY MEDICAL CENTER
HIV/AIDS CARE AND PREVENTION SERVICES
MARCH 2010 TO FEBRUARY 2012**

ELIGIBILITY

Objective

Determine whether St. Mary Medical Center (St. Mary or Agency) provided services to individuals who met the eligibility requirements of the Department of Public Health (DPH) Division of HIV and STD Programs (DHSP). In addition, determine whether St. Mary provided the services billed to DPH in accordance with their County contract.

Verification

We reviewed the case files for 15 clients who received services during March 2010 to February 2012 for documentation to confirm their eligibility for DHSP services. In addition, we reconciled the days the Agency billed DPH to progress notes and other documentation in the clients' files.

Results

St. Mary had adequate documentation to support the eligibility of the 15 clients reviewed. However, St. Mary did not collect fees, or document the justification for waiving fees, for two clients reviewed who had the ability to pay as required by the Additional Provisions of the County contract.

Recommendation

1. **St. Mary management ensure that fees are collected from clients with the ability to pay, or document the justification for waiving the client fees.**

CASH/REVENUE

Objective

Determine whether St. Mary recorded revenue in the Agency's financial records properly, deposited cash receipts into the Agency's bank account timely, and prepared and approved bank account reconciliations appropriately.

Verification

We interviewed the Agency's personnel, and reviewed their financial records and March 2012 bank reconciliations.

Results

St. Mary recorded revenue in their financial records properly, and deposited the DHSP payments into the Agency's bank account timely. However, St. Mary did not resolve 20 reconciling items from their bank statement, totaling \$16,160, in a timely manner as required by the Agency's Administrative Policy and Procedures Manual. \$2,130 (13%) of the \$16,160 in reconciling items were charged to the DHSP Program.

Recommendations

St. Mary management:

- 2. Ensure that outstanding reconciling items are resolved in a timely manner.**
- 3. Review the \$2,130 reconciling items, and repay DHSP for any inappropriately billed expenditures.**

COST ALLOCATION PLAN**Objective**

Determine whether the Agency prepared its Cost Allocation Plan (Plan) in compliance with the County contract, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed the Agency's Plan, and a sample of shared costs the Agency incurred from June 2011 to January 2012.

Results

St. Mary's Plan was prepared in compliance with the County contract, and shared costs were allocated appropriately in accordance with their Plan.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether expenditures charged to the DHSP Program were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed financial records for ten non-payroll expenditures, totaling \$29,311, that the Agency charged to the DHSP Program from March 2011 to February 2012.

Results

St. Mary generally had adequate documentation to support their expenditures. However, St. Mary charged DHSP \$1,714 in questioned costs. Specifically, St. Mary inappropriately charged DHSP \$1,531 for a computer that was assigned to an employee who worked on non-County programs, and charged DHSP \$183 more than they paid for a computer assigned to an employee who worked on the DHSP Program.

Recommendations

St. Mary management:

- 4. Repay DHSP \$1,714 (\$1,531 + \$183).**
- 5. Accurately charge expenditures that benefit the DHSP Program.**

PAYROLL AND PERSONNEL**Objective**

Determine whether the Agency charged payroll costs to the DHSP Program appropriately, and maintained personnel files as required.

Verification

We reviewed the Agency's financial records, and traced the payroll costs for ten employees for January 2012, totaling \$34,046, to the Agency's payroll records and time reports. We also reviewed the personnel files for DHSP Program staff.

Results

St. Mary appropriately charged payroll costs to the DHSP Program, and maintained personnel files as required by the County contracts.

Recommendation

None.

COST REPORTS**Objective**

Determine whether the Agency's Cost Reports reconciled to their accounting records.

Verification

We traced St. Mary's Cost Reports submitted to DHSP for the periods ended February 28, 2011 and June 30, 2011 to their accounting records.

Results

St. Mary's Cost Reports did not reconcile to their accounting records. Specifically, the Agency's accounting records did not support \$100,971 in expenditures that were included in their Cost Reports.

Recommendations

St. Mary management:

- 6. Repay DHSP \$100,971.**
- 7. Ensure Cost Reports reconcile to the Agency's Program accounting records.**



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September 7, 2012

Ms. Wendy L. Watanabe
Auditor – Controller
Department of Auditor – Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

Dear Ms Watanabe:

**St. Mary Medical Center (SMMC) Response to Los Angeles County Auditor
Controller Contract Review Findings**

**In response to the contract review findings for the March 2010 to February 2012
OAPP HIV/Aids contracts with Los Angeles County Department of Public Health
(DPH)**

1. Eligibility

Recommendation:

- St. Mary management will ensure that client fees are collected from clients with the ability to pay, or document the justification for waiving the client fees.

Management Response:

- St. Mary management will ensure that appropriate documentation is included in patient file that supports justification for waiving. This will be implemented in September, 2012 with appropriate staff.

2. Cash Revenue

Recommendation:

- St. Mary management will ensure that outstanding reconciling items are resolved in a timely manner.
- Review the \$2,130 in reconciling items and repay DHSP for any inappropriately billed expenditure.

Management Response:

- SMMC will ensure that outstanding reconciling items are resolved in a timely manner. Validation of \$2,130 in reconciling items will be completed by October, 2012. Any inappropriately billed expenditure will be repaid to DHSP.

3. Expenditures

Recommendation:

- Repay DPSP \$1,714
- Accurately charge expenditures that benefit the DHSP Program

Management Response:

- St Mary will repay DPSP \$1,714. St. Mary will ensure that expenditures are accurately charged to the appropriate benefitted program. Effective September, 2012 a shared review process will be implemented between the program manager and finance accountant reviewing detail transactions monthly.

4. Cost Report

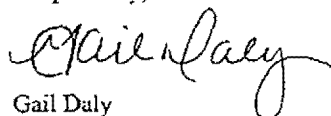
Recommendation:

- Repay DHSP \$100,971
- Ensure Cost Report reconcile to the Agency's program accounting records.

Management Response:

- St. Mary will repay DPSP \$100,971 or provide documentation to DPSP that would support that the variance does not warrant repayment by end of October, 2012.
- St. Mary effective with the next cost report submission will ensure that Cost Report reconciles to the Agency's program accounting records prior to submission.

Respectfully,



Gail Duly
Chief Operating Officer